

# **CORRECTED FISCAL NOTE**

## **SB 411 - HB 802**

March 30, 2007

**SUMMARY OF BILL:** Exempts the retail sales of food and food ingredients from local option sales tax.

### **ESTIMATED FISCAL IMPACT:**

On February 8, 2007, we issued a fiscal note for this bill indicating an estimated *decrease to local government revenues of \$183,288,000*. Based on new information, the fiscal impact for this bill is estimated as follows:

#### **(CORRECTED)**

**Increase State Expenditures - \$86,000 One-Time**

**Decrease Local Govt. Revenues - \$183,288,000**

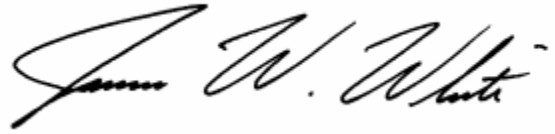
#### Assumptions:

- According to the Department of Revenue, taxable sales of food and food ingredients in Tennessee for FY05-06 were approximately \$7,753,600,000.
- Based on historical collection patterns, taxable sales of food and food ingredients are estimated to grow by approximately 2.5% per year.
- Taxable sales for FY07-08 are estimated to be approximately \$8,146,126,000.
- Local option sales tax rate is estimated to average 2.25%.
- The recurring decrease to local government revenues resulting from the exemption of local option sales tax on food sales is estimated to be \$183,288,000 ( $\$8,146,126,000 \times 2.25\% = \$183,287,835$ ) per year.
- Local governments will forgo additional local option sales tax revenue in subsequent fiscal years due to growth of taxable sales.
- There will be a one-time increase to state expenditures estimated to be \$86,000 for software and computer enhancements.

### **CERTIFICATION:**

**SB 411 - HB 802  
(CORRECTED)**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director